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Second country cooperation framework for the former Yugoslav Republic of Macedonia (2001-2003)

Contents

		Paragraphs	Page
	Introduction	1	2
I.	Development situation from a sustainable human development perspective	2–9	2
II.	Results and lessons of past cooperation	10–13	3
III.	Objectives, programme areas and expected results	14–37	4
	A. Structure of the UNDP programme	14–24	4
	B. Local governance and municipal development	25–31	5
	C. Environmental governance and sustainable development	32–35	6
	D. Expected results	36–37	7
IV.	Management arrangements	38–42	7
	A. Programme management	38	7
	B. Monitoring, review and reporting	39	7
	C. Coordination	40	7
	D. Partnerships and resource mobilization	41	8
	E. Advocacy	42	8
Annex			
	Resource mobilization target table for the former Yugoslav Republic of Macedonia (2001-2003)		9

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Introduction

1. The second country cooperation framework (CCF) for the former Yugoslav Republic of Macedonia for the period 2001 to 2003 is based on national priorities. It takes full account of the 2000 country review of the first CCF (1997-2000) and reflects the strategic results framework (SRF) prepared for the period 2001 to 2003, which outlines the goals and expected outcomes of UNDP cooperation in the country. The preparation of the CCF involved extensive consultations with UNDP partners: government representatives, local authorities, civil society and international donors. The CCF focuses on programme areas where UNDP has comparative advantages and can contribute to making positive and visible changes of national importance.

I. Development situation from a sustainable human development perspective

2. The ongoing process of transition to a democratic system of governance and a market-oriented economy have characterized the development situation since independence a decade ago. Reforms have focused on three major areas:

(a) Modernizing the public administration system to strengthen its candidacy and facilitate its accession to the European Union. Decentralization and reform of the local government system are priority areas. The signing of the stabilization and association agreement between the former Yugoslav Republic of Macedonia and the European Union will shape the economic, social and political development of the country in the coming years;

(b) Strengthening the democratic political system based on political and economic freedom, the respect of human rights and rule of law, and the expression of national identity;

(c) Fostering a market-oriented economic system based on macroeconomic balance and an enabling environment for foreign direct investments, trade liberalization and enterprise restructuring.

3. The programme for economic stabilization and structural reform initiated in 1994 has profoundly reshaped the economic and social sectors. Macroeconomic stability has been restored. A substantial share of public ownership has been privatized; trade and prices liberalized; and the legislative framework has undergone considerable change in an effort to provide a favourable environment for the development of the private sector. Labour market programmes were launched to facilitate labour adjustment and the social safety net was strengthened to alleviate rising poverty.

4. Economic restructuring and the external shocks resulting from independence and regional conflicts has led to serious economic contraction and a decline in output. While the country has been experiencing a moderate level of growth since 1997, unemployment has remained extremely high (over 30 per cent) and real household income and consumption have sharply declined. Poverty levels have consequently risen from 4 per cent of the population in 1991 to 20.7 per cent in 1998.

5. The reform of the local government system was initiated in 1999 to: (a) strengthen the capacity of municipalities to provide cost-effective and efficient services to citizens; and (b) promote citizens' participation in local decision-making processes. At present, the competencies of local governments and municipal resources are extremely limited. Their budgets account for only 1 per cent of total public spending. Municipal management capacities are weak and management systems do not provide for sufficient accountability. In such a restrictive environment, exacerbated by an overall culture of centralized governance and lack of transparency, basic services provided to the local population have seriously diminished at the same time that citizens' participation in local decision-making continues to remain very limited.

6. Priority reform areas include the increase of competencies and resources of local governments, the introduction of appropriate management procedures to ensure transparency and accountability, and the building of local administrative capacities. While the adoption of a new legislative framework is experiencing delays, municipal initiatives are increasingly developing, despite the stringent lack of resources. Local governments are thus demonstrating their eagerness to take a more active role in local economic and social development.

7. In the 2000 local elections, only 3 out of 124 mayors were women; 164 women (9.3 per cent) became members of municipal councils. Women's representation at the national level following the 1998 elections has been of the same order: 2 members of the Government and 8.6 per cent of the parliament are women, which nevertheless represents a slight increase over past elections. Women make up 37.6 per cent of the total working population, with the majority employed in industry, education and in the health and social sector. They account for 45 per cent of the unemployed. While illiteracy is more prevalent among women (8.8 per cent) than men (2.9 per cent), 51.6 per cent of university students are women. A national action plan for gender equality was prepared in 2000, with the support of UNDP.

8. Most of the country's environmental problems have been inherited from the pre-independence era. The most significant environmental problems are: (a) air and water pollution; (b) lack of waste management, in particular solid waste, which poses a constant threat to soil and ground water; and (c) inadequate protection of the country's rich flora and fauna. While pollution levels have fallen, mainly as a result of declining industrial activity since 1991, the environmental situation has improved little. This slow progress is a result of the country's weak environmental management system with inadequate institutional capacity, on the one hand, and inappropriate regulations and standards, weak enforcement and limited investment resources, on the other.

9. The national environmental policy is embodied in the national environmental action plan (NEAP), which was adopted in 1997 with the goal of integrating environmental issues in the economic and social development programmes of the country. The NEAP objectives are to: (a) improve the quality of the environment by reducing air pollution and setting up comprehensive solid waste management systems; (b) protect the rich flora and fauna of the country; (c) enhance water resource management; and (d) strengthen environmental management capacity. While the four objectives remain valid, the operational component of the plan needs to be updated.

II. Results and lessons of past cooperation

10. The results of past UNDP cooperation, which can form the cornerstone of the current CCF, include environmental protection and local governance.

Environmental protection

11. Forty-one per cent of resources from the first CCF were allocated to the environmental sector, where UNDP has taken the lead role among international agencies. UNDP support in this sector has covered policy-making, institutional-building interventions and operational activities. Completed activities include training to strengthen the environmental management capacities of selected government institutions; employment/environmental pilot projects implemented by municipalities in association with local stakeholders; and preparation of a master plan for solid waste management. A national strategy for sustainable development and the creation of a national council on sustainable development are still under discussion at the inter-ministerial level. A base has been established for further progress both at the national and municipal levels and a pattern for establishing a two-way connection between the central policy function and pilot activities at the local level has been successfully experimented.

Local governance

12. UNDP has become a major partner of municipal governments by helping to develop local employment and environmental initiatives. Interventions have focused on: (a) building and utilizing local government capacities in the areas of employment, environmental planning and municipal management; (b) setting up participatory mechanisms to involve local stakeholders in the preparation, implementation and monitoring of environmental strategies, plans and projects; and (c) developing access to information technologies. Successful experience at the local level has given UNDP a prominent advisory position not only in the Ministry of Local Government, but also with other line ministries with delegated local competencies, thereby laying a solid base for developing institutional and policy support at the central level.

13. The main findings of the country review conducted in February 2000 were:

(a) The UNDP programme has gained visibility and maintains friendly interactions with key authorities in the Government and with international cooperation agencies. Building on active discussions on the environment and municipal development, the programme framework should be consolidated and the role of the Government in identifying and monitoring development priorities should be further strengthened.

(b) Resources are spread thinly, with many separate projects receiving programme funding. The scope, quality and impact of projects could be improved by focusing resources on a limited number of areas, including: (a) environment and sustainable development; and (b) municipal development and decentralization.

(c) The national human development reports produced by the country office are widely used. UNDP should continue to support targeted policy initiatives that provide direction to development activities.

(d) Mechanisms for work planning, monitoring, evaluating, revising budgets and terminating projects should be developed, with a focus on quality, outcomes and results.

(e) Based on the prior capacity assessment of government agencies, national execution should be more fully applied, with the aim of encouraging national ownership and self-reliance, strengthening technical and management capacities of executing agents and enhancing project sustainability.

(f) Resources available for programme implementation have more than doubled as a result of contributions from third party sources and the UNDP Emergency Fund. A good programme base has been laid for additional resource mobilization.

III. Objectives, programme areas and expected results

A. Structure of the UNDP programme

14. This CCF takes into account UNDP programme performance during the first CCF. It includes the experience gained in local governance and municipal development, environmental protection and the capacity to develop collective approaches linking central and local government bodies, economic development actors and civil society.

15. The strategy underlying the new programme rests on the following basic principles.

16. *Higher impact with limited resources.* UNDP will focus its activities on local governance and environment, two areas of immediate relevance to the Government and in which the country office has gained experience and credibility. Whether assisting at the policy or local operational level, UNDP will make use of additional valuable experience developed in other sectors such as social development, information and communication technologies and HIV/AIDS prevention.

17. *Gender equality.* A cross-cutting objective will likewise be to mainstream gender equality into programme activities at the local level.

18. *Optimum use of programme resources.* Ensuring close ties between policy advice and operational activities in every area of intervention will help to guarantee an optimum use of programme resources. Operational projects will serve as testing grounds for innovative and risk-taking approaches to policy dialogue and policy design at the national level. Strategies and policy frameworks designed at the central level will in turn be used at the local level, where the Government will then seek practical mechanisms of implementation with municipal authorities and local stakeholders.

19. *Programme impact.* To reinforce the overall impact of the programme and the linkage between the two main areas of concentration, the municipal development programme will provide a strategic framework for multidisciplinary interventions, particularly in the area of environmental protection.

20. *Local governance and civil society.* Support to local governance and the strengthening of civil society will be emphasized in all programme components by implementing participatory approaches both: (a) at the central level, where strategy and policy design will rest on close consultation with stakeholders in the private sector and civil society; and (b) at the local level, where in every municipality mechanisms will be set up to ensure broad citizen participation in the decision-making process. Participatory mechanisms should also contribute to strengthening social and multi-ethnical cohesion. UNDP will concurrently promote the

development of durable channels of communication between government departments and local governmental and non-governmental stakeholders.

21. *Utilizing local capacities.* The limited availability of programme resources mean that the utilization and financing of local capacities will receive high priority. The programme will achieve project cost-effectiveness primarily through the use of local experts, local procurement and application of strong financial controls. The purpose is to allow the scope of project activities to widen for the same amount of resources and to attract funding for these viable low cost but effective activities. UNDP will take into account the availability of highly skilled nationals, but will ensure that sufficient investment is devoted to training, in particular for proper management and implementation of national execution programmes and projects.

22. *Back-up system.* Strong impact assessment systems will back up the programme by tracking results and taking note of lessons learned will help to orient policy dialogue and policy design.

23. *Further provisions.* Programme project design will include provisions to facilitate resource mobilization, strengthen monitoring and evaluation systems, establish funding mechanisms such as the Municipal Development Fund, and promote forceful communication and dissemination strategies.

24. The programme will help the country to move towards democracy and a market-based economy, integrated in the European Union, by fostering an enabling environment for sustainable human development and by promoting good governance. Two interrelated and mutually reinforcing programme areas will orient efforts to achieve these goals: (a) local governance and municipal development; and (b) environmental governance and sustainable management of natural resources.

B. Local governance and municipal development

25. The cornerstone of UNDP intervention in local government reform, the national development priority, will be the Municipal Development Programme. It will employ a multidisciplinary approach both at the local and national level.

26. At the local level, the Municipal Development Programme will: (a) strengthen local government institutional capacities, with the aim of achieving accountable, transparent management of development resources and cost-effective, responsive provision of services to citizens; (b) set up mechanisms to ensure the participation of citizens and local stakeholders in decision-making; (c) promote inter-municipal cooperation in areas of common interest; and (d) establish regional centres for local governance to provide services to municipalities, including training, access to information technology and technical assistance. The entry point for programme activities will be the promotion of local socio-economic development priorities and needs. The short-term priority areas of municipal development efforts include employment, information and communications technology, gender equality and HIV/AIDS, as part of the national strategic plan for prevention and treatment.

27. The Municipal Development Programme will provide a general framework for multi-sectoral interventions based on locally identified priorities. Possible interventions will cover primary health care, the water sectors and other areas where UNDP has already gained useful experience, such as social development and HIV/AIDS public awareness campaigns. UNDP is currently supporting the preparation of a national strategy for the prevention and treatment of HIV/AIDS. At the national level, further efforts will be made to develop a legislative framework for primary health care and the finalization and approval of the HIV/AIDS national strategy. UNDP will continue to mobilize resources from the international community to facilitate the implementation of the HIV/AIDS strategy and infrastructure and investment projects for environmental and water conservation.

28. Information and communication technology will constitute a major UNDP intervention in support of local-level development through information technology training and electronic networking. The electronic network on local governance will contain information systems with databases that provide information on local governance issues, activities and projects for stakeholders at the national and local level. The experience and information gathered on local governance will provide the base on which to prepare a national information and technology strategy. To support these interventions, the number of information

and communication technology centres in the municipalities will be doubled from 16 to 32 with UNDP support. The centres will continue to provide free training in computer applications and electronic communication to identified target groups. The municipality web forum on local governance, which facilitates access to and exchange of information on local governance issues, will be expanded to link not only central and local government stakeholders but also civil society and the private sector both in and outside the country and the region.

29. Women will be encouraged to participate in the activities of the Municipal Development Programme, particularly in decision-making processes and activities on development planning and training. Women mayors and municipal councillors will receive particular support, especially with regard to networking and information sharing, in partnership with the Gender Unit created in the Ministry for Social Policy and Labour with UNDP support.

30. At the national level, UNDP will provide institutional support to the Ministry of Local Government and directly to local governments to implement the decentralization reform. Building on results achieved at the local level, the programme will set up instruments to facilitate government and civil society efforts, including: (a) methodologies to support municipal capacity-building, citizens participation and inter-municipal cooperation; (b) a monitoring and evaluation system that will progressively be extended to all projects supporting local governance; and (c) a mechanism for the coordination and harmonization of donor-funded projects in the area of local governance, with eventual linkages to line ministries. The Municipal Development Fund will serve to finance small-scale projects at the local level and to facilitate the mobilization of resources from donors willing to support local development. Priority will be given to the financing of projects generating employment.

31. Combining programme area 1, local governance and municipal development, with programme 2, environmental governance and sustainable development, will increase the impact of activities undertaken at the local level. Environmental projects will focus, as much as possible, on areas where UNDP already funds activities.

C. Environmental governance and sustainable development

32. UNDP support to the environment sector will focus on two areas: (a) strengthening the policy framework for environmental management and sustainable development; and (b) supporting the implementation of priority policy goals at the local level. The Global Environment Facility (GEF) will constitute the main source of funding for this programme area.

Policy framework for environmental management and sustainable development

33. As the lead agency for the environment sector, UNDP is in a strategic position to support government efforts to improve the existing policy framework as originally articulated in the NEAP. Building on the capacities established in the Ministry of Environment under the previous CCF, UNDP will help to finalize preparations for a national strategy for sustainable development to establish and make operational the National Council for Sustainable Development. UNDP will also assist the Government in efforts to meet its commitments to international conventions. Strong partnerships between public and private stakeholders, aside from facilitating further compliance, will be the basis for policy development.

Implementation of priority policy goals at the local level

34. UNDP will support operational activities that strengthen the capacities of local stakeholders, in particular local governments, to promote environmental protection and sustainable development. It will also test and develop mechanisms for local implementation of policy goals. The four priority areas will support the: (a) mainstreaming of the national strategy for sustainable development into the activities of the Municipal Development Programme; (b) implementation of the solid waste management plan in selected municipalities; (c) conservation of biodiversity by reinforcing management capacities in protected areas in selected ecosystems; and (d) sustainable management of international waters.

35. UNDP will also help the Government to implement selected projects under the Regional Reconstruction of Environment Programme (REREP) for South-East Europe.

D. Expected results

36. By the end of the CCF, the Ministry of Local Government is expected to have developed regulations and mechanisms to manage decentralization reforms and to coordinate donor contributions, effectively using supporting instruments introduced and tested by the programme. The Municipal Development Fund will have been established and can attract donor contributions to municipal development. Government and non-government stakeholders can communicate and exchange information through the electronic network on local governance. At the local level, up to 40 municipalities of varied sizes will have strengthened their capacities to manage local development and to deliver quality services to citizens, including access to information and communication technology. Citizens will be part of the regular decision-making process in these municipalities and will have access to accountable and transparent information on the use of municipal resources.

37. A strategic framework for environmental management and sustainable development will have been adopted and mainstreamed at the national level and in selected municipalities. Also available will be models for sustainable environmental management based on partnerships between public authorities and local stakeholders.

IV. Management arrangements

A. Programme management

38. UNDP will consolidate its partnership with the Government by ensuring national ownership and support to government priorities and constructive policy dialogue. The experience gained and the capacities developed under the previous CCF show that national execution should be the principal modality of implementation to foster national and local capacities for the planning, management and monitoring of programme activities. To reinforce ownership, local governments and stakeholders will assume the role of implementing the programme at the local level. To strengthen the implementation capacity, a programme implementation unit (PIU) will be set up in each of the programme areas. PIUs will also assist in: (a) developing channels of communication between programme stakeholders and government agencies; (b) contributing to policy-making by identifying successful approaches and extracting the lessons of experimentation; (c) ensuring the coordination of activities within the same programme area; and (d) mobilizing additional resources. Specific implementation arrangements in each of the programme areas will be based on careful assessment of government and local capacities so as to tailor them to existing needs and resources. Implementation modalities will include mechanisms that enable stakeholders to participate in the decision-making process, especially at the local level. As in the past, the subregional resource facility (SURF) is expected to provide specialized support on a regular basis, especially with regard to good governance and advocacy activities.

B. Monitoring, review and reporting

39. The strategic results framework will be the primary tool for monitoring programme performance. A participatory monitoring and evaluation system will be set up in each of the programme areas and managed by the relevant PIU. Monitoring and evaluation systems will serve a triple purpose: (a) ensure that activities progress satisfactorily towards the attainment of planned objectives and outputs; (b) identify lessons learnt and best practices on which to base upstream policy advice; and (c) sustain resource mobilization. After having been tested, assessed and corrected, the monitoring and evaluation system for the Municipal Development Programme will be extended to all projects supporting decentralization and will serve as the main monitoring and coordinating tool for the Ministry of Local Government. Annual reviews will be undertaken for all projects and regular progress reports will be prepared in accordance with UNDP rules. In light of the country's dynamic development situation, the priority programme areas outlined in Part III will undergo a mid-term review to ensure the continued relevance of the main thrust of the UNDP programme.

C. Coordination

40. UNDP will promote aid coordination by actively participating in donor coordination groups covering local governance and the environment. It will also continue to be the lead agency for the group on the environment. PIUs will be responsible for coordination

at the operational level: for exchanging information with other projects, harmonizing approaches, avoiding duplications and developing complementarities. In the Municipal Development Programme, two specific tools will support aid coordination: (a) the monitoring and evaluation system will include a database, which will ultimately cover all projects supporting local governance; and (b) the Municipal Development Fund will provide a coherent financial and programming framework for donor resources.

D. Partnerships and resource mobilization

41. UNDP will establish strong partnerships with the Government, local municipalities, community-based organizations and NGOs, in accordance with their priorities and capacities. To reinforce its role as policy adviser and partner to the Government, UNDP will continue to support the development of policy frameworks and strategies based on national priorities, even if they fall outside the main UNDP areas of concentration. It will help to develop durable channels of communication between the Government and local government and non-government stakeholders. UNDP will maintain its strong partnerships with donors to ensure greater coordination and to mobilize additional resources. The dissemination of successful experiences and demonstrated results will dictate the use of resources which will be facilitated by mechanisms such as the Municipal Development Fund, monitoring and evaluation systems, active participation in donor groups and forceful communication.

E. Advocacy

42. Advocacy for sustainable human development will rest on three major tools: the national human development report, the Early Warning Report and the UNDP Web site. The national human development report and the Early Warning Report will address in an open and independent fashion the most acute socio-economic and socio-political issues. The purpose is to feed policy dialogue and public debate and to support concrete policy options for the promotion of sustainable people-centred development. The UNDP Web site will serve as a complementary tool to inform the Macedonian public and donors alike about UNDP activities and performance in the country.

Annex

Resource mobilization target table for the former Yugoslav Republic of Macedonia (2001-2003)

Source	*Amount (In thousands of United States dollars)*	*Comments*
UNDP regular resources		
Estimated carry-over	1 031	Includes carry-over of TRAC 1, TRAC 2 and the earlier AOS allocations.
TRAC 1.1.1	636	Assigned immediately to country.
TRAC 1.1.2	0 to 100 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
SPPD/STS	171	
Subtotal	**1 838**[a]	
UNDP other resources		
Government cost-sharing	0	
Third-party cost-sharing	2 500	
Funds, trust funds and other	470	
of which:		
GEF	250	
SIDA	220	
Subtotal	**2 970**	
Grand total	**4 808**[a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: AOS = administrative and operational services; GEF = Global Environment Facility; SIDA = Swedish International Development Agency; SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignment from the core.